



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2017 Biennium

Bill #	SB0386	Title:	Revising late file penalty, filing, and withholding for pass-through entities
Primary Sponsor:	Cohenour, Jill	Status:	As Introduced

- | | | |
|---|--|--|
| <input type="checkbox"/> Significant Local Gov Impact | <input type="checkbox"/> Needs to be included in HB 2 | <input type="checkbox"/> Technical Concerns |
| <input type="checkbox"/> Included in the Executive Budget | <input type="checkbox"/> Significant Long-Term Impacts | <input type="checkbox"/> Dedicated Revenue Form Attached |

FISCAL SUMMARY

	<u>FY 2016 Difference</u>	<u>FY 2017 Difference</u>	<u>FY 2018 Difference</u>	<u>FY 2019 Difference</u>
Expenditures:				
General Fund	\$0	\$0	\$0	\$0
Revenue:				
General Fund	\$570,000	\$570,000	\$570,000	\$570,000
Net Impact-General Fund Balance:	<u>\$570,000</u>	<u>\$570,000</u>	<u>\$570,000</u>	<u>\$570,000</u>

Description of fiscal impact: SB 386 revises filing and withholding requirements for pass-through entities and limits the penalty for a pass-through entity failing to file a required report to a maximum of \$2,500 per tax period.

FISCAL ANALYSIS

Assumptions:

1. This bill limits the penalty for a pass-through entity failing to file a required report to a maximum of \$2,500 per tax period. While current law does not place a limit on these penalties, it also allows the department to waive penalties for reasonable cause.
2. The bill would revise filing requirements for pass-through entities by eliminating non-resident consent agreements and second-tier pass-through statements. It would reduce the reporting requirements for some pass-through entities by establishing a minimum distribution threshold.
3. Out of the nearly 216,000 owners of pass-through entities with Montana source income, about 135,000, or 63%, are non-resident businesses or individuals. Revising the filing requirements will have some impact on revenues; the Department of Revenue estimates additional general fund revenues of \$570,000 based upon its most recent compliance experience.

<u>Fiscal Impact:</u>	<u>FY 2016 Difference</u>	<u>FY 2017 Difference</u>	<u>FY 2018 Difference</u>	<u>FY 2019 Difference</u>
<u>Expenditures:</u>				
TOTAL Expenditures	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<u>Funding of Expenditures:</u>				
TOTAL Funding of Exp.	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<u>Revenues:</u>				
General Fund (01)	<u>\$570,000</u>	<u>\$570,000</u>	<u>\$570,000</u>	<u>\$570,000</u>
TOTAL Revenues	<u>\$570,000</u>	<u>\$570,000</u>	<u>\$570,000</u>	<u>\$570,000</u>
<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u>				
General Fund (01)	\$570,000	\$570,000	\$570,000	\$570,000

Sponsor's Initials

Date

Budget Director's Initials

Date